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Many educational administrators are skeptical of school district attempts to use the planning-programing-budgeting systems (PPBS) tool. This skepticism seems, in large part, to be the result of two factors: (1) A general lack of understanding of the concrete operational steps involved in the implementation of PPBS, and (2) a feeling that the qualitative nature of educational objectives would inhibit the utility of such a tool in educational administration. A review of the Federal Bureau of the Budget Guidelines concerning PPBS implementation in Federal agencies coupled with an analysis of PPBS staffing requirements should help the administrator understand the process of practical implementation. The generally positive evaluation of the contributions of PPBS made by administrators of such Federal agencies as the United States Information Agency, the Agency for International Development, the State Department, and the Peace Corps serve as evidence of the utility of PPBS in organizational units faced with the difficulties of measuring qualitative objectives. The experience of these agencies may encourage school districts to experiment with PPBS. (JH)

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for the
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DEVELOPMENT OF AN OPERATIONAL MODEL FOR THE APPLICATION OF PLANNING-PROGRAMMING-BUDGETING SYSTEMS IN LOCAL SCHOOL DISTRICTS

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

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INTRODUCTION

Much is currently being written about the need to reform the budgeting practices of local school districts, and program budgeting is most often cited as the technique which will eventually be widely adopted. Proponents of program budgeting claim that its use can improve decision making concerning the rational allocation of scarce resources. To date, however, there is much uncertainty as to exactly how this modern management tool can most effectively be applied to a school district setting.

This is precisely the aim of a research activity currently being conducted by the Western New York School Study Council: to what extent, and how, can the techniques of program budgeting be adapted to the management of local school districts? Even among those who agree that program budgeting should be used by school districts, few are able to describe how this can be done.

During the course of this research activity, the Council will publish a series of Program Budgeting Notes. These Notes will keep the Council members informed of developments in program budgeting, both locally and nationwide. This publication is the second in that series of Notes.

PROGRAM BUDGETING IN THE FEDERAL GOVERNMENT

The first issue in this series of Program Budgeting Notes examined the background for Planning-Programming-Budgeting Systems in the United States. The current high level of interest was traced directly to the recent experience of the Defense Department with PPBS. Since August of 1965, following a Presidential directive, all other major executive agencies of the federal government have begun to use PPB.

Some educators feel that the experience with PPB in the Defense Department is only remotely analogous to a school district setting. Many issues about which decisions have to be made in the Defense Department can readily be quantified. Critics of attempts by school districts to use PPB point out that this is not the case with educational decision-making. Often, superintendents and boards of education must choose between two largely "unmeasurable" alternatives. Therefore, critics continue, the attempt by school districts to use PPB is bound to fail, or to pervert educational decision-making.

These critics often overlook the fact that other federal agencies, such as the State Department, United States Information Agency, Agency for International Development, and the Peace Corps, deal with objectives and with issues which are as subjective as those in a school system. This issue of Program Budgeting Notes will examine testimony delivered before the Subcommittee on National Security and International Operations of the Committee on Government Operations of the United States Senate. This testimony was received throughout 1967 and 1968 and it examines the application of PPB to agencies of the federal government other than the Defense Department.

The first section of this Note reviews the main elements of PPBS. That is followed by an explanation of guidelines promulgated by the Bureau of the Budget and intended for all executive agencies. The concluding section reviews evaluations of the application of PPB in four major civilian agencies.

A Review--What is PPB?

Planning-Programming-Budgeting is a systematic aid to decision-making. It is designed to help responsible officials make decisions by supplementing their judgment, political wisdom, and leadership qualities. PPB is needed because government resources are insufficient to accomplish all its goals. Therefore, choices have to be made among competing worthwhile activities. This implies the establishment of priorities, and the need for feedback mechanisms to determine the outcomes of decisions. If a bad decision is left untested, scarce government resources may be wasted while other important needs go unmet.

There are five basic elements in a PPB system:

1) After careful analysis of overall organization purposes, objectives should be established in each major activity area. Priorities must be established to insure that major spending occurs in the most important areas.

2) A program structure must be devised to reflect the overall objectives already established. Costs and benefits of alternative ways to achieve program objectives are then analyzed to determine what combination of activities offer the most benefit at the least cost.

3) These costs and benefits are projected into a multi-year plan which takes into consideration future implications of current year decisions.

4) Evaluation of decisions takes place as information about activities is fed back to decision-makers. What is must be compared to what was expected.

5) Basic objectives are re-evaluated as new information is continuously fed back into the organization. Organization objectives are confirmed or adjusted and the cycle repeats itself.

Bureau of the Budget Guidelines for PPB Documents

Twenty-two major executive agencies--ranging from all Departments of Cabinet stature, the Atomic Energy Commission, to the Veterans Administration--are required to submit three basic PPB documents to the Bureau of the Budget (BOB). These are: Program Memoranda, Special Analytic Studies, and Program and Financial Plans.[1]

Program Memoranda are required for all Major Program Issues. If a decision has major cost implications, affects the direction of one or more programs, or involves policy, it becomes an MPI. Program Memoranda are decision documents, focused on these important issues, which summarize the strategic decisions recommended in a given budget year. Each Program Memorandum (PM) states: (1) the program issues; (2) a comparison of costs and effectiveness of alternatives for resolving those issues in relation to objectives; (3) the agency head's recommendations on which alternatives should be selected; and (4) the reasons he chose that particular alternative.

Special Analytic Studies (SAS) provide the analytical groundwork for decisions reflected in the PM's. These special studies reveal the assumptions, facts, and criteria behind the decisions documented in the PM. SAS's can be of two types: those initiated and completed in a single budget year and which resolve a current issue; or those which continue over several years and assist in the development of better understanding of agency objectives.

The third basic document is called Program and Financial Plans (PFP). It is a seven-year summary of agency programs in terms of their outputs, costs, and

financing needs. The years included are the year just completed, the current year, the next year, for which a budget is being prepared, and four additional future years. The PFP is the basic planning document of the agency PPB system, and summarizes all program recommendations for budget review. PFP reflect only those future costs to which the agency has already been committed.

The major purpose of these documents is to insure that policy decisions on high-priority issues are identified and reflected in specific budget decisions. This represents the federal government's effort to integrate planning, programming, and budgeting.

Program Structure in the Federal Government

In any discussion of program budgeting, questions usually arise concerning program structure. What is the ideal program structure? How can the "right" program structure be devised? These issues do not have pat answers, and the answers may be as various as the organizations using program budgeting. The Bureau of the Budget makes each agency responsible for its own program structure, but it does provide some guidelines which should be followed as a program structure is developed. To begin, programs should be objective oriented, and they should group activities with common objectives or outputs. Recognizing the complexity of agency activities, the BOB suggests three levels of programs.[2] The first is a program category. These provide a framework for considering and resolving major questions of overall mission and scale of operations, subject to review and decision at the highest levels of government. Each agency limits itself to between five and ten program categories. The next level of program is the program subcategory. These group the program activities having a high degree of similarity in output, but provide a meaningful and

substantive breakdown of program categories. The third level is composed of program elements. Program elements cover agency activities related directly to the production of a discrete agency output. These outputs should be clearly defined and, where possible, quantified. They also should represent an agency end-product. In the construction of program elements, agencies relate the inputs and outputs of each element. A change in the level of inputs should affect the level of output. If outputs do not vary with inputs, then the agency definition of this particular program element requires re-examination. This must be done so that the expenditure of resources can be related to the achievement of government objectives. Again, the emphasis is on integrating the functions of planning, programming, and budgeting.

Allocation of Indirect Costs

Another troublesome question concerning the use of program budgeting revolves around what should be done with "indirect" costs. For example, if the personnel of three program elements occupy the same building, what should be done with, say, the expenditure for heating that building? Should the heating costs be prorated to each program element through the development of some complicated formula? The BOB suggests that, in general, this should not be done unless such allocations contribute to better program decisions;[3] for example, when the cost of heating a building may be expected to vary reasonably in line with trends in each of the program elements. Otherwise, it makes more sense to have a separate program category or subcategory with "heating" as one of its program elements.

Staffing for Program Budgeting in the Federal Government

Two questions concerning staffing for program budgeting are: how many new people must I hire to do the analyses required?; and what qualifications do they need?

In fiscal 1968, the twenty-one major civilian departments had 869 PPB positions. Of these, 390, or 45 per cent represented a net increase due to PPB.[4] The analysis that needs to be done within a PPB system can be learned by reasonable men. Line people involved in the PPB process must be given time to insure that the analyses undertaken are not slipshod. This probably requires the use of more personnel to take over duties neglected by line people while they do PPB analysis. In addition, the federal government has sponsored a variety of in-service training programs ranging from two and three-day seminars to one full year of university study.

Systems analysts, whose speciality is PPB analysis, originally came from the fields of economics, engineering, and mathematics. The original emphasis was on quantitative skills. However, the federal government is now recruiting from such areas as public administration, business administration, law, and the social sciences. This trend does not reflect a decision to move away from auditing costs and benefits; rather, it reflects an expanded notion of what should be included in an "audit." Elmer B. Staats, Comptroller General of the United States, testifies that he is optimistic about our ability to develop techniques to measure social costs and benefits and still give due consideration to qualitative judgments.[5]

Selected Comments About Results of PPB

It was suggested earlier that the use of PPB in the Defense Department is not analogous to the use of PPB by a school district; however, it might be instructive for

educators to examine what is said about PPB by such agencies as the Agency for International Development (AID), the United States Information Agency (USIA), the State Department, and the Peace Corps. The objectives of these agencies are as difficult to quantify as those of a school district. In the following discussion, the reader can decide for himself whether the benefits reported can be related to school district activity.

William S. Gaud, Administrator, Agency for International Development, reports that PPBS is useful in some decisions and of little use in others. He states that it is of little use in the establishment of broad political objectives, such as whether or not aid should be given to a certain country. He finds, however, that PPBS is extremely useful in making budgetary decisions. He states that PPBS forces AID personnel to concentrate more than they otherwise would on alternatives and on costs; it also gives them a better picture of where they are and where they are going in the long run. He finds it useful where a shortage of funds necessitates fixing priorities. As the administrator of AID, Gaud feels that PPBS improves his ability to ask his subordinates the "hard, tough" questions that need to be asked. It frames the issues, and although he feels that it is of little use in actually making major political decisions, it pinpoints data, making him much more able to handle political issues. The Program Memoranda which come to him from the field define the major budgetary issues and produce better budget decisions.[6]

Speaking for the State Department, Nicholas de B. Katzenbach, Under Secretary of State, reports that PPBS helps State arrive at (1) a better and clearer definition of objectives; (2) a more systematic analysis of priorities, (3) better inter-agency policy control and coordination; and (4) a better check on past performance. He

concludes his remarks by stating:

> By offering alternatives, good analysis, and stress on issues, PPB material can vastly improve the stuff from which policy decisions are made.[7]

Hewson A. Ryan, Deputy Director, Policy and Research, United States Information Agency lists the benefits of PPBS to USIA. Among them are:[8]

1) PPBS introduces more continuity of information at critical decision points. He notes the turnover of USIA people due to rotation every two years, and concludes that the documents generated by PPBS provide for the reduction of program activities and their rationale to "statable, and stated," propositions.

2) PPBS gives the USIA a sharper definition of its research needs. He feels that they are now beginning to understand the kind of information needed to assist in program management decision-making. They are even attempting to develop criteria for evaluating their programs.

3) PPBS points up the need for USIA to substantially improve its system for collecting data about its efforts and their effects. It was revealed that the data gathering system itself had substantial defects and thus invalidated any conclusions that an analysis of the data might have produced. USIA is now designing a new record-keeping system.

4) USIA now knows the "total cost" of an activity. Earlier budget and accounting practices "hid" the complete costs of individual activities. Now, this and other information is available for consideration in revising programs to achieve a more effective use of resources. Ryan concludes with the remark that PPBS ". . . has narrowed the range of the 'unknowns' about which a decision-maker has to guess when arriving at his decisions."

Jack Vaughn, Director, Peace Corps, notes dramatic changes in the directions of Peace Corps programs as evidence of the value of PPBS in improving the effectiveness per volunteer of the Peace Corps effort. He further notes that the Peace Corps has attempted to develop statistical output measures upon which to base decisions about allocations. To date, they have not developed reliable measures by which all projects can be mechanically compared. However, Vaughn believes that just trying to develop such measures has been very useful because it has focused the attention of the Agency on what "we hope to accomplish in each of our programs" and has led to the development of "a useful and formalized way of reporting on actual accomplishments."[9]

Conclusion

It is hoped that this brief look into the application of PPBS in the federal government has served two purposes. First, presentation of the detail about Bureau of Budget guidelines is intended to increase the reader's understanding of PPBS by adding a new dimension of concrete explanation. Most discussions of PPBS limit themselves only to abstract definitions and exhortations to introduce it. The above discussion takes the reader into some of the "nuts and bolts" of the federal government operation. Second, little has been written about application of PPBS in the federal government outside of the Defense Department. The agencies selected here for comment about their PPBS results are those which deal with objectives of a similar qualitative nature as those of school districts. It can readily be seen that the agency Directors referred to have very positive feelings about the effects of PPBS. Perhaps the knowledge that these agencies find PPBS quite useful despite their difficult-to-measure objectives will encourage school districts which experience similar measurement difficulties to experiment with Planning-Programming-Budgeting Systems.

FOOTNOTES

1. These documents are discussed in detail in the Bureau of the Budget Guidelines of 1968 which has been reproduced in the following committee print: Planning-Programming-Budgeting Bureau of the Budget Guidelines of 1968, Committee on Government Operations, United States Senate, U.S. Government Printing Office, Washington, 1968.

2. Ibid., p. 3.

3. Ibid., p. 3.

4. Schultze, Charles L., Director, Bureau of the Budget, Planning-Programming-Budgeting, Hearings before the Subcommittee on National Security and International Operations of the Committee on Government Operations, Ninetieth Congress, Part I, August 23, 1967, U.S. Government Printing Office, Washington, 1967.

5. Staats, Elmer, Comptroller General of the United States, Planning-Programming-Budgeting, Hearings before the Subcommittee on National Security and International Operations of the Committee on Government Operations, Ninetieth Congress, Part III, March 26, 1968, U.S. Government Printing Office, Washington, 1968, p. 213.

6. Gaud, William S., Administrator, Agency for International Development, Planning-Programming-Budgeting, Hearings before the Subcommittee on National Security and International Operations of the Committee on Government Operations, Ninetieth Congress, Part IV, July 11, 1968, U.S. Government Printing Office, Washington, 1968, pp. 223-263.

7. Katzenbach, N. de B., Ibid., p. 267.

8. Ryan, Hewson A., Deputy Director, USIA, Ibid., p. 275.

9. Vaughn, Jack, Director, Peace Corps, Ibid., p. 279.

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Bureau of the Budget Guidelines, Planning-Programming- Budgeting, Subcommittee on National Security and International Operations, Committee on Government Operations, United States Senate (Washington: U.S. Government Printing Office, 1967).

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_____, Part 2, September 27 and October 18, 1967 (Washington: U.S. Government Printing Office, 1967).

_____, Part 3, March 26, 1968 (Washington: U.S. Government Printing Office, 1968).

_____, Part 4, July 11, 1968 (Washington: U.S. Government Printing Office, 1968).

OTHER NOTES IN THIS SERIES

Number 1: "Introduction to Program Budgeting."

Reviews the history of governmental budgeting, traces the current interest in PPBS to the Defense Department, contains definitions of key terms in the PPBS lexicon, and focuses on some implications which PPBS has for education.